

**North Dakota AN No. 1378 (1930-C)**

**UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL DEVELOPMENT  
BISMARCK, ND 58502**

August 7, 2002

**SUBJECT:** Maximum Allowable Management and Administrative  
Costs for Multi-Family Housing Projects in North Dakota

**TO:** All Rural Development Managers

**PURPOSE/INTENDED OUTCOME:** The purpose of this Administrative Notice (AN) is to establish a reasonable amount for management and administrative costs for any new proposed budgets approved now or during the calendar year of 2003. Depending on when the project's fiscal year (FY) starts, the proposed budget could be either FY2003 or FY2004.

**COMPARISON WITH PREVIOUS AN:** This AN replaces ND AN No. 1353 (1930-C).

**IMPLEMENTATION/RESPONSIBILITIES:** The following management and administrative costs have been determined as reasonable for Multi-Family Housing projects in North Dakota and are considered the maximum allowed without the concurrence of the State Director.

THE MAXIMUM AMOUNTS ARE NOT TO BE CONSIDERED AS THE STANDARD MANAGEMENT AND ADMINISTRATIVE COSTS. The management and administrative costs allowed will be set by the Rural Development Manager using good judgment as to what is reasonable for the area. Once a proposed budget is approved, management and administrative costs will not be adjusted during the budget year unless justified and documented in the project file on a case-by-case basis.

If management and administrative costs exceeding the budget are found to be billed to other budget line items or are unapproved expenditures actually paid, they will be refunded.

**EXPIRATION DATE:**  
**September 30, 2003**

**FILING INSTRUCTION: Following  
Rural Development Instruction 1930-C**

USDA Rural Development is an Equal Opportunity Lender, Provider, and Employer. Complaints of discrimination should be sent to: USDA, Director, Office of Civil Rights, Washington, D.C. 20250-9410.

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Each project must have an approved MANAGEMENT PLAN in effect. Any management and caretaker costs must be approved by the owner and Rural Development and be reflected in the Management Plan before any payment can be made. The Plan will specify whether the management agent or the project is responsible for costs associated with managing the project.

**A. Management and Administrative Costs:** The compensation for management and administrative costs listed in this paragraph authorized from the O&M account may not exceed \$52 per month for each apartment unit in the project.

The following line items from Part II of Form RD 1930-7 will be considered as **management costs/fees:**

Line 20 - Management Fee  
Line 22 - Project Bookkeeping/Accounting  
Line 32 - Other Administrative Expenses

The following line items from Part II of Form RD 1930-7 will be considered as **project administrative costs:**

Line 19 - Site Management Payroll  
Line 25 - Phone & Answering Service  
Line 26 - Office Supplies  
Line 29 - Health Insurance & Other Benefits  
Line 30 - Payroll Taxes

**Line Item 25, Telephone & Answering Service** - This expense may be identified as an exception in certain cases. Examples could include a congregate project or group home needing an in-house telephone or pay telephone located in the project. The exception must be documented on Form RD 1930-7.

**Line Item 30, Payroll Taxes** - Expenses relating to caretaker payroll taxes will not be included in the administrative costs maximum if clearly documented on Form RD 1930-7.

**Line Item 32, Other Administrative Expenses** - Expenses relating to tenant selection or verification will not be included in the administrative costs maximum if clearly documented on Form RD 1930-7.

Any exception to the above management or administrative cost items must be clearly identified on Form RD 1930-7 or on an attachment and must be approved by Rural Development.

The basic rent value of a rent-free unit for a resident manager will be included in the maximum administrative costs.

**B. Exception Authority:** The above limitations must be strictly adhered to. However, the State Director may grant an exception if he determines because of unique conditions, locally or with the project, larger compensation of management and administrative costs are needed to obtain more intensive management services. To grant an exception, a written request, with supporting evidence, must be made by the owner/manager to the Rural Development Manager. The Rural Development Manager will document his recommendation and forward the request to the State Director for approval.

**C. Limitation on Management and Administrative Costs:** The limits in this AN reflect management and administrative costs for projects which are successfully and adequately managed. Successfully managed projects are those meeting the following criteria in a timely and accurate manner. (This list is a guide and should not be considered total management duties.)

- a. Management Plan/Agreement is current and approved by RHS.
- b. All reports, forms, and requested information are submitted on time and are accurate.
- c. All repairs and maintenance required are completed within the time specified by RHS.
- d. Reserve Account is properly maintained and at approved levels.
- e. Adjusted income of all tenants is properly and accurately verified.
- f. All tenant certifications (Form 1944-8/HUD 50059) are accurately completed and promptly submitted to the Area Office by the due date.
- g. Self evaluation and transition plan are completed and implemented.

For any MANAGEMENT not meeting all of the above criteria, the following actions will be taken:

- a. Management will be given 45 days to correct all deficiencies and submit proof of corrective actions to Rural Development. The project owner will be notified.
- b. If noted deficiencies are not corrected in the 45 day time period, the management fee will be suspended.
- c. If efforts are not successful to bring management into compliance, Rural Development will require a change in management.

A copy of this AN should be furnished to all owners and managers. It will be your responsibility, as Rural Development Manager, to review all budgets to determine that management and administrative costs are in accordance with this AN.

/s/ Clare A. Carlson  
CLARE A. CARLSON  
State Director